
Introduced by Senator Speier

December 9, 2004

An act to add Section 17206 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 30, as introduced, Speier. Tax Deductions: 529 College Savings Plans

The Personal Income Tax Law, in modified conformity with the federal income tax laws, allows various deductions in computing the income that is subject to the taxes imposed by that law.

This bill, for taxable years beginning on or after January 1, 2005, would allow as a deduction the amount of contribution made by a qualified taxpayer, as defined, on behalf of the beneficiary, to the Golden State Scholarship Trust, as specified.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17206 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17206. For taxable years beginning on or after January 1,
- 4 2005, there shall be allowed as a deduction the amount
- 5 contributed by a qualified taxpayer during the taxable year to a
- 6 qualified trust.
- 7 (b) For purposes of this section:
- 8 (1) "Qualified trust" means the Golden State Scholarship
- 9 Trust, a qualified state tuition program created pursuant to the

1 Golden State Scholarship Trust Act (Article 19 (commencing
2 with Section 69980) of Chapter 2 of Part 42 of the Education
3 Code).

4 (2) “Qualified taxpayer” means an individual who, on behalf
5 of a beneficiary, contributes money to a qualified trust and meets
6 all of the other applicable requirements of Section 529 of the
7 Internal Revenue Code, as modified by Section 17140.3.

8 (c) The deduction authorized by subdivision (a) shall be taken
9 with respect to the taxable year in which the contribution is made
10 and shall be taken only to the extent that the contribution amount
11 does not exceed the amount allowed under Section 529 of the
12 Internal Revenue Code, as modified by Section 17140.3.

13 (d) In the event that any portion of the contribution is refunded
14 by a qualified trust to the taxpayer for any reason, that amount
15 shall be included in the taxpayer’s income for the taxable year in
16 which it is received to the extent that the amount of contribution,
17 or any portion thereof, was taken as a deduction in any earlier
18 taxable year.

19 (e) (1) Any refund of the contribution amount, which is made
20 by a qualified trust to a taxpayer, shall be reported by the trust to
21 the Franchise Tax Board in the year in which the refund is made.
22 The trust shall furnish a copy of that report to the taxpayer.

23 (2) If a refund is made to a taxpayer who is not a resident of
24 the State of California in the year in which the refund is made,
25 the Franchise Tax Board may, by regulation, require the trust to
26 withhold an amount from the refund, determined by the
27 Franchise Tax Board to reasonably represent the amount of tax
28 due when that refund is included with other income of the
29 taxpayer, and to transmit the amount withheld to the Franchise
30 Tax Board at a time as it may designate.